

Internal Revenue Service

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Department of the Treasury
Washington, DC 20224

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:CORP:4 PLR-138577-08

Date:

December 08, 2008

Legend

Corporation =

Shareholder =

Parent =

Opcos =

Purchasers =

LLC =

Market =

Bank =

Option Plan =

Laws =

Advisor =

Agreement =

Court =

Registrar =

Country X =

Country Y =

Country Z =

A =

a =

b =

c =

d =

e =

f =

g =

h =

i =

j =

k =

l =

m =

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o =

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q =

r =

s =

t =

u =

v =

Date 1 =

X =

Y =

Dear :

This letter responds to your August 26, 2008 request for a ruling regarding certain federal income tax consequences of a partially completed transaction. The information submitted in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the information submitted in support of the request for rulings, it is subject to verification upon examination.

Summary of Facts

Corporation is a Country X public company engaged in an ongoing business. Corporation has two classes of ordinary shares outstanding, A Shares and B Shares. The two classes of ordinary shares entitle the holder to the same rights except the A Shares are entitled to a vote per share and the B Shares are entitled to b votes per share. The A Shares are held by the public (including shares represented by Country Y Depositary Shares that are traded on Market). Bank acts as depositary for the Country Y Depositary Shares. The B shares are held by Shareholder which is an indirect wholly owned subsidiary of Parent.

The A Shares represent approximately c percent of the value and d percent of the voting power in Corporation, while the B Shares represent approximately e percent of the value and f percent of the voting power in Corporation. Corporation also has outstanding Deferred Shares all of which are owned by Shareholder. The Deferred Shares do not entitle the holders thereof to receive notice of, to attend or vote at meetings of shareholders of Corporation, or to receive dividends or other distributions out of the profits or assets of Corporation. The terms of the Deferred Shares are such that the shares have no value. Corporation also has outstanding g stock options that were issued under Option Plan.

Corporation has h direct and indirect wholly-owned operating subsidiaries (collectively, the “Opcos”). The Opcos operate in various countries throughout the world.

The Transactions

For what are stated to be valid business reasons, the following steps, which are designed, in part, to provide Purchasers with an equity interest in Corporation while reducing Shareholder’s equity interest in Corporation, have been proposed and partially consummated (collectively, the “Transactions”). The Transactions will be effected pursuant to certain laws of Country X (hereinafter, the “Scheme”).

Consummated Steps

(i) Several of the Opcos declared dividends to Corporation out of existing distributable reserves.

(ii) Certain funds advised by Advisor formed the Purchasers. The Purchasers will be used as investment vehicles for acquiring B Shares of Corporation.

(iii) Corporation formed LLC as a wholly owned Country Z subsidiary. LLC then checked the box to be treated as a disregarded entity for Country Y tax purposes.

(iv) Corporation substantially completed the transfer of the stock of the Opcos to LLC in exchange for additional LLC shares.

(v) On Date 1, Parent, Purchasers, Corporation, Shareholder and LLC signed the Agreement which, among other things, obligated them to take certain steps to implement the Scheme. In addition, certain documents regarding loan facilities and shareholder agreements were executed as well.

(vi) Pursuant to the terms of the Agreement, LLC underwent a Court approved capital reduction.

Proposed Steps

(vii) Corporation has applied to Court for an order directing that a meeting be convened to allow the holders of its A Shares to vote on the Scheme. Shareholder, as sole owner of the B Shares, will not be entitled to vote at this meeting. In addition, an extraordinary general meeting of Corporation’s stockholders will occur.

(viii) After the shareholder meetings, Corporation will seek approval for the Scheme from Court, which is expected to hold two separate court hearings and issue

two separate Court orders. At the first hearing, Court will be requested to sanction the following actions:

The Scheme:

(a) The re-registration of Corporation as a private company under Country Z law together with appropriate changes to Corporation's articles of association; and

(b) The cancellation of the Deferred Shares for no consideration.

(ix) Prior to the second hearing, Corporation will declare distributions to both the holders of the A Shares (the "A Shareholders") as of the day prior to the second Court hearing and to Shareholder. Each of these distributions will be conditioned on and payable only after the Scheme becomes effective.

(x) The second Court hearing will be held as soon as reasonably practicable following the first Court hearing. The purpose of the second hearing is to sanction: (i) any elements of the Scheme not already confirmed at the first Court hearing, (ii) the cancellation of the A Shares, (iii) the distribution to the A Shareholders, (iv) the distribution to Shareholder, (v) the cancellation of approximately $j\%$ of the B Shares held by Shareholder (hereinafter, the distribution in (iv) and the cancellation in (v) will be referred to collectively as the "B Share Reduction"). Each of the steps in the Scheme will only become fully effective (the "Effective Date") upon the delivery of the second Court order to the Registrar, and with respect to the related reductions of capital, its registration by the Registrar.

On such Effective Date, the following steps will be implemented:

(a) Corporation will cancel its A Shares. Each A Shareholder will be entitled to receive \$k for each A Share cancelled. The aggregate amount of consideration to be paid to the A Shareholders for their A Shares will be approximately \$l, with approximately \$m coming from the distribution declared in step (ix) above and approximately \$n payable by the Purchasers.

(b) Purchasers will receive newly issued B Shares from Corporation pursuant to the Scheme.

(c) Corporation will cancel approximately $j\%$ of the B Shares held by Shareholder for the purpose of reducing the total number of B shares outstanding. Shareholder will be entitled to receive the same per share consideration pursuant to the Scheme as the consideration received by the A Shareholders for their A shares (\$k per share). The total cash consideration that will be received by Shareholder pursuant to the B Share Reduction will consist of approximately \$o from the distribution to be declared and paid by Corporation (as described in step (ix)) less \$p as a reduction of capital based on

principles of local law and paid by Corporation in connection with the B Share cancellation. The aggregate consideration paid to Shareholder pursuant to the Scheme will be approximately \$g, consisting of cash and a note in the amount of \$r (the "Note") from Corporation.

(xi) Participants in Option Plan will have rights to participate in the Scheme on the same basis as the A Shareholders.

(xii) Simultaneous with the Scheme becoming effective, X will occur. Purchasers and Shareholder will possess equal voting power with respect to the aggregate B Shares held by them following this. Furthermore, certain shareholders of Corporation have entered into a shareholder agreement containing various provisions, but specifically providing that the board of directors of Corporation shall be composed of s directors, t of which will be designated by Shareholder and t of which will be designated by the Purchasers. The u director shall be designated by mutual written consent of Shareholder and the Purchasers. The u director as agreed upon by Shareholder and Purchasers shall be A.

(xiii) Upon completion of the Transactions, Parent and LLC will enter into a new master intercompany agreement (the "MIA"). The services provided for in the MIA are merely for convenience and efficiency, and in some instances are only providing additional support in certain functional areas. Under the MIA, the consideration for the services shall be the actual, direct cost (on a fully allocated basis) incurred by the provider of the applicable service. The MIA will also grant Y to Corporation and its affiliates.

After the Scheme is fully effective, the B Shares held by Shareholder will represent y% of the value and i% of the voting power of Corporation. This ownership will not reflect further dilution for any Corporation shares purchased by management of Corporation pursuant to various management agreements and plans that will be entered into as part of the Transactions.

Representations

The following representations have been made in connection with the Transactions:

(a) Except as noted in the submission, after the Transactions there will be no outstanding options or warrants to purchase Corporation stock, nor will there be any outstanding debentures or other obligations that are convertible into Corporation stock or would be considered Corporation stock.

(b) In no event will the last payment on the Note be made more than 15 years after the date of issuance of the Note.

(c) None of the consideration for the B Shares, including interest, consists entirely or partly of Corporation's promise to pay an amount that is based on, or contingent on, future earnings of Corporation, an amount that is contingent on working capital being maintained at a certain level, or any other similar contingency.

(d) The Note will not be subordinated to the claims of general creditors of Corporation, except to the extent such creditors are preferred by law or statute.

(e) In the event of default on the Note, no shares of stock will revert to or be received by Shareholder nor will Shareholder be permitted to purchase the stock of Corporation at a public or private sale.

(f) No shareholder of Corporation has been or will be obligated to purchase any of the B Shares to be redeemed.

(g) The redemption described in this ruling request is an isolated transaction and is not related to any other past or future transaction.

(h) Except as noted in the submission, there have been no redemptions, issuances, or exchanges by Corporation of its stock in the past 5 years.

(i) Except as noted in the submission, Corporation has no plan or intention to issue, redeem, or exchange additional shares of its stock.

(j) None of the B Shares to be redeemed is "§ 306 stock" within the meaning of § 306(c).

(k) Except as noted in the submission, there are no declared but unpaid dividends, or funds set apart for dividends, on any of the B Shares to be redeemed.

(l) At the time of the exchange, the fair market value of the consideration to be received by Shareholder will be approximately equal to the fair market value of the B shares to be exchanged therefor.

(m) The redemption of the B Shares (i) is not a disposition of personal property on the installment plan by a person who regularly sells or otherwise disposes of personal property on the installment plan and (ii) is not a disposition of personal property of a kind required to be included in the inventory of any redeemed shareholder at the close of the taxable year.

(n) The Note will not be issued in any form designed to render it readily tradable on an established securities market.

(o) No part of the consideration from Corporation will be received by Shareholder, directly or indirectly, as a creditor, employee, or in some other capacity other than as a shareholder of Corporation.

Rulings

Based solely on the information submitted and the representations set forth above, we rule as follows regarding the Transactions:

(1) The redemption by Corporation of the B Shares held by Shareholder, as described above, will qualify as a redemption that is not essentially equivalent to a dividend within the meaning of § 302(b)(1). The amount distributed will be treated as a distribution in full payment in exchange for the B Shares redeemed, as provided in § 302(a) (see Rev. Rul. 75-447, 1975-2 C.B. 113 and Rev. Rul. 75-502, 1975-2 C.B. 112).

(2) Gain or loss will be realized and recognized by Shareholder, measured by the difference between the aggregate of all consideration received by Shareholder pursuant to the B Share Reduction (\$k per share) and the adjusted basis of the B Shares surrendered by Shareholder as determined under § 1011.

Caveats

The above rulings are effective to the extent that the amount distributed to Shareholder represents the fair market value of the B Shares redeemed from Shareholder. A determination of the fair market value of the B Shares is reserved until the federal income tax return of Shareholder has been filed for the tax year in which the redemption is consummated.

No opinion is expressed about the tax treatment of the Transactions under other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Transactions that are not specifically covered by the above rulings.

Procedural Statements

This ruling letter is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

A copy of this ruling letter must be attached to any income return for which it is relevant. Alternatively, any taxpayer filing its return electronically may satisfy this requirement by attaching a statement to the return that provides the date and control number of this ruling letter.

Under a power of attorney on file in this office, a copy of this ruling letter is being sent to your authorized representatives.

Sincerely,

By: _____
Lewis K Brickates
Chief, Branch 4
Office of Associate Chief Counsel (Corporate)

cc: